

Message Text

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ACTION EUR-12

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SUBJ: WORKERS' REMITTANCES: 1ST QUARTER 1978

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1. INFLOWS OF WORKERS' REMITTANCES DURING THE FIRST
QUARTER OF 1978 TOTALED \$138.8 MILLION. THIS IS DOWN
36 PERCENT FROM 1977'S FIRST QUARTER TOTAL AND THE
LOWEST LEVEL OF REMITTANCES SINCE THE FIRST QUARTER
OF 1972.

2. OVER THE PAST SIX YEARS, FIRST QUARTER REMITTANCES
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HAVE FLUCTUATED BETWEEN 16 PERCENT AND 22 PERCENT OF
TOTAL ANNUAL REMITTANCES. ASSUMING 1978'S FIRST QUARTER
TOTAL FALLS WITHIN THIS RANGE, TOTAL ANNUAL REMITTANCES
THIS YEAR WOULD RANGE FROM ABOUT \$630 MILLION TO ABOUT
\$870 MILLION, FAR SHORT OF THE ANNUAL GOAL OF \$1.3
BILLION.

3. THE MARCH 1 LIRA DEPRECIATION HAS HAD LITTLE IMMEDIATE EFFECT IN STIMULATING INCREASED REMITTANCE FLOWS. APPARENTLY THERE IS LITTLE OR NO CORRELATION BETWEEN WORKERS' REMITTANCES AND CHANGES IN EXCHANGE RATES. THE MARCH 1977 AND SEPTEMBER 1977 LIRA DEPRECIATIONS ALSO HAD NO APPRECIABLE IMPACT ON REMITTANCE FLOWS. INDEED, REMITTANCES BEGAN TO DECLINE NOTICEABLY DURING THE FOURTH QUARTER OF 1977 AND THE TREND HAS CONTINUED THROUGH THIS YEAR.

4. THE FOLLOWING TABLE GIVES WORKERS' REMITTANCES BY MONTHS:

WORKERS' REMITTANCES (MILLIONS US\$)

	1975	1976	1977	1978
JAN	143.9	70.9	75.4	42.4
FEB	73.2	57.3	69.4	43.4
MAR	69.1	58.5	70.6	53.0
APR	80.9	59.3	67.7	-
MAY	68.3	66.1	76.7	-
JUN	81.9	87.4	94.3	-
JUL	183.1	110.9	106.2	-
AUG	171.7	109.3	109.1	-
SEP	139.4	98.8	92.1	-
OCT	111.8	86.4	81.3	-
NOV	89.7	81.8	63.8	-

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DEC	96.5	95.9	75.4	-
TOTAL	1,312.3	982.7	981.8	

5. KENAN BULUTOGLU, MINISTER OF STATE ECONOMIC ENTERPRISES, WHO RECENTLY VISITED THE FEDERAL REPUBLIC OF GERMANY AND TALKED WITH VARIOUS TURKISH WORKER GROUPS, OFFERED EMBOFFS THE FOLLOWING EXPLANATION FOR THE DECLINE IN REMITTANCES. HE SAID THAT RATHER THAN REMIT MONEY, TURKISH WORKERS PREFERRED TO BRING IN TRACTORS, TRUCKS AND MACHINE TOOLS WHICH COULD BE SOLD IN TURKEY FOR DOUBLE THE PRICE ORIGINALLY PAID. BUT BECAUSE THE GOVERNMENT HAS RESTRICTED THE ENTRY OF THESE "IMPORTS WITH WAIVER" TO \$100 MILLION IN 1978, THE WORKERS ARE CONTENT TO ACCUMULATE SAVINGS IN GERMANY UNTIL THEY EVENTUALLY CAN IMPORT THESE GOODS AND MAKE A KILLING.

6. IN ADDITION TO PATRIOTIC APPEALS, BULUTOGLU'S SOLUTIONS TO THIS PROBLEM INCLUDED (1) CHANNELING IMPORTS OF VEHICLES AND MACHINE TOOLS THROUGH A STATE PURCHASING AGENCY, (2) SELLING THE WORKERS SHARES IN CERTAIN STATE ECONOMIC ENTERPRISES (SEE'S) AND (3) SELLING TO WORKERS FOR FOREIGN EXCHANGE TURKISH-MADE VEHICLES FOR DELIVERY IN TURKEY.

7. UNDER THE FIRST SCHEME TURKEY WOULD ESTABLISH A PURCHASING AGENCY IN THE FRG WHICH WOULD MAKE BULK PURCHASES OF GOOD WANTED BY TURKISH WORKERS AT DISCOUNT PRICES. WHILE THIS MAY MARGINALLY INCREASE THE PURCHASING POWER OF TURKISH WORKERS ABROAD, THE GOT HAS NO GUARANTEE THAT THE SAVINGS EFFECTED WOULD FLOW TO TURKEY IN THE FORM OF REMITTANCES. THIS IDEA IS BASICALLY A METHOD OF FINANCING IMPORTS WHICH WOULD HAVE LITTLE DIRECT EFFECT ON IMPROVING TURKEY'S BALANCE OF PAYMENTS.

8. THE SECOND SCHEME IS IMPRABABLE. IT ASSUMES THAT SEE'S WILL BE ABLE TO IMPROVE THEIR EFFICIENCY TO THE ESTENT THAT THEIR REVENUES NOT ONLY COVER OPERATING UNCLASSIFIED

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AND INVESTMENT EXPENDITURES BUT ARE SUFFICIENT TO PROVIDE AN ATTRACTIVE RETURN TO THE SHAREHOLDER. SUCH IMPROVEMENT IS DIFFICULT TO FORESEE AT THIS TIME.

9. THE THIRD TACTIC HAS PROMISING POSSIBILITIES. IF WORKERS WHO PAY FOR LOCALLY PRODUCED TRUCKS, TRACTORS AND CARS IN FOREIGN EXCHANGE ARE GIVEN PRIORITY DELIVERY AND A DISCOUNT ON PRICE, THE GOVERNMENT COULD BOTH SIGNIFICANTLY INCREASE THE FLOW OF FOREIGN EXCHANGE FROM WORKERS AND STIMULATE LOCAL PRODUCTION WHICH IS CURRENTLY OPERATING AT ABOUT HALF-CAPACITY DUE TO THE LACK OF IMPORTED COMPONENTS. SPIERS

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